EXHIBIT A

THE PROPERTY REPORT

Lehman Makes Its Next Property Gamble

Firm Puts More Cash Into Existing Deals, a Risky Strategy Whose Success Depends on Real-Estate Values Going Higher

By Lingling Wei

Lehman Brothers Holdings Inc., brought down in part by its huge property investments, is doubling down on some of its existing deals in a bet that commercial property markets are near bottom.

Since the investment bank's collapse in September 2008, the firm overseeing Lehman's bankruptcy has reinvested more than $1 billion in apartments, office buildings and other commercial property already owned or financed by Lehman. Those properties, located from Austin, Texas, to New York to Washington, faced varying levels of distress.

Bryan Marsal

Lehman also has spent nearly $1 billion to pay off partners and creditors and reach other settlements that resulted in the return of real-estate assets to the firm.

By piling more cash into these deals, executives at **Alvarez & Marsal**, the advisory firm overseeing Lehman's bankruptcy proceedings, are hoping to salvage the maximum amount from the $14.4 billion of commercial real estate on the bank's books.

But there is a risk: The success of this strategy depends in many cases on property values rising, something that is far from certain, given the tumultuous real-estate market and the country's weakening economic recovery. U.S. commercial-real-estate values remain 41% below their October 2007 peak and only slightly above the low hit in October 2009, according to Moody's Investors Service.

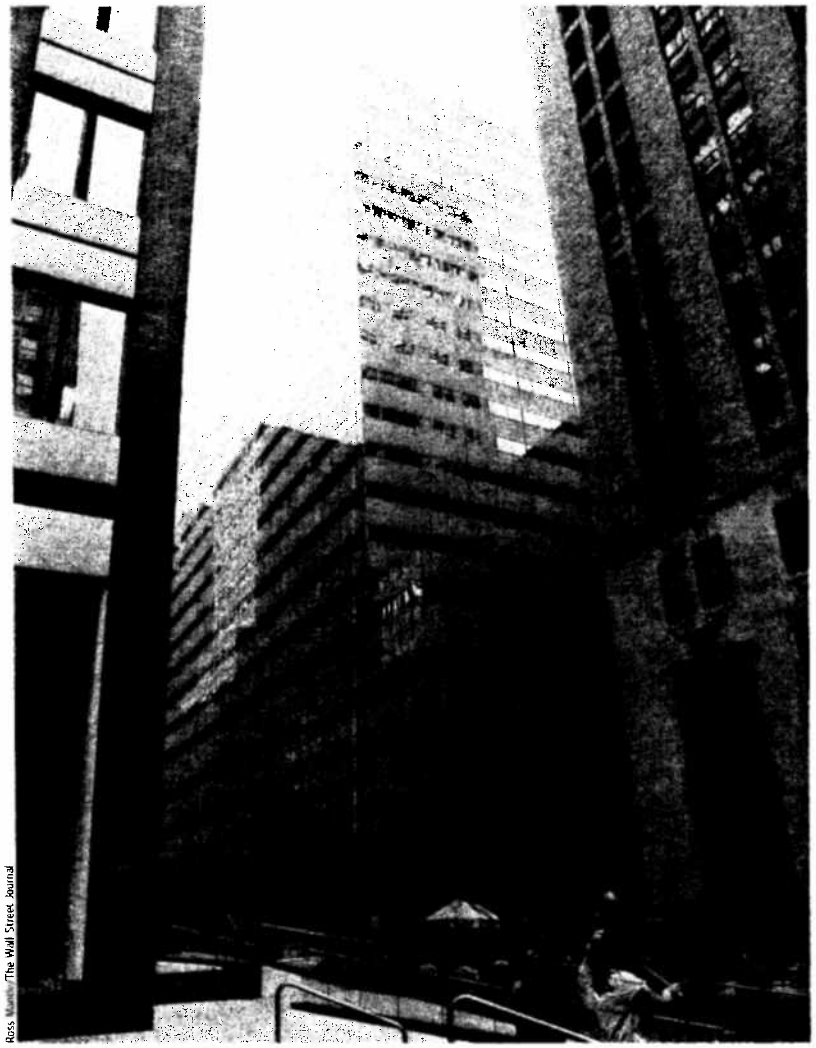
Bryan Marsal, head of Alvarez & Marsal and also chief restructuring officer and chief executive at Lehman, says the firm makes new investments only when it is certain that it will protect the existing ones, recover the new money, and achieve "market or above-market" returns on the fresh funds. The firm eventually will sell off all of its real-estate holdings, a process that Mr. Marsal predicts will last three to five years. "We have staying power and can wait until liquidity and the market come back," he adds.

Lehman's strategy is being closely watched for the sheer volume of its holdings, which makes it one of the country's largest commercial-property owners. Scores of other large owners and lenders face similar tough calls as they, too, struggle with maturing loans backed by properties that have plunged in value. Hundreds of billions of these loans likely won't be paid off in the next five years unless borrowers put in additional equity.

At the same time, Lehman's unwinding of its myriad faulty deals is shining new light on the firm's botched assumptions, deal structures and the enormous amount of risk it was willing to assume during the go-go years. When property values were rising, the variety and the size of investments pumped up Lehman's return. But now, as the market has turned, such convoluted and oversize exposures make it difficult for Lehman to just walk away from troubled projects, as some in the industry have.

Lehman now has a $20 billion cash hoard, including about $2.2 billion from cash proceeds tied to real-estate assets, that can be tapped when reinvesting in real-estate deals. Mr. Marsal and his team estimate that Lehman will recover for its creditors $11 billion within five years from real-estate assets through reinvestments, debt-for-equity conversions and other means, more than double the amount it would get from a quick liquidation of the properties.

But some of the Lehman properties remain troubled despite earlier reinvestment decisions. Take for example, Lehman's efforts to salvage its investment in the $22 billion leveraged buyout of apartment-building landlord **Archstone-Smith**. Last year the firm, which holds both debt and equity in the 70,000-unit company, agreed with partners **Bank of America** Corp. and **Barclays** PLC on an interim solution to make an additional $485 million loan to give it funds to stay current on $5.2 billion in secured debt.



Ross Mantle/The Wall Street Journal

Lehman obtained court approval to buy back debt at a discount on Manhattan office tower 237 Park Ave., above, protecting the firm against a default but increasing its stake in the building to nearly $700 million.

One year later, Archstone still isn't generating sufficient cash to service its debt, and the $485 million is being depleted. Lehman is now negotiating with Bank of America and Barclays to back its plan to convert the $5.2 billion into new equity.

In another example of reinvestment, Lehman won court approval last month to invest an additional $263 million in a group of office buildings it owns in Rosslyn, Va., a suburb of Washington. The properties are part of a 10-building portfolio that a partnership between Lehman and **Monday Properties** bought for $1.3 billion in 2007. About $239 million in mortgages on six of the towers are scheduled to mature this month.

Mr. Marsal says the firm's eventual plan is to bundle the Rosslyn properties, whose tenants include the U.S. government, with other buildings owned by Lehman in the Washington area, and then to "resell or refinance" the whole portfolio for a better return. Another option is to spin off the portfolio to creditors in an initial public offering, he says.

In some cases, Lehman has found itself up against the ropes by partners, creditors and others. Take, for instance, the 21-story office tower at 237 Park Ave. in Manhattan. Lehman in 2007 originated $1.23 billion in loans to finance the purchase of the tower by **Broadway Partners**, retaining $437 million of the debt on its own books.

In U.S. Bankruptcy Court in the Southern District of New York filings last month, Lehman predicted that Broadway, a private-equity real-estate firm would default on a $255 million piece of debt held by an unidentified investor, which, according to people familiar with the matter, was **Prudential Financial** Inc. That debt was senior to the Lehman position, and Prudential was trying to sell the debt to other investors. Such a default posed the risk that Lehman's debt would "be wiped out," the filing said. Broadway and Prudential declined to comment.

The solution: Lehman obtained the bankruptcy-court approval to buy back the $255 million in debt for a discount, people familiar with the situation said. That protects Lehman against a default. But it also means that Lehman has increased its stake in the building to close to $700 million.

The new investment will put Lehman "in a better position to protect its other positions in the debt structure and preserve the opportunity to maximize value for the estate," Lehman said in court filings.